



भारतीय सनदी लेखाकार संस्थान
(संसदीय अधिनियम द्वारा स्थापित)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)



सीए. नवीन एन. डी. गुप्ता
अध्यक्ष
CA. Naveen N.D. Gupta
President

OK



ICAI/IDTC/2017-18/Rep/7

17th July, 2018

Shri Piyush Goyal
Hon'ble Union Minister of Finance
and Chairman, Goods & Services Tax Council
Ministry of Finance,
Government of India, North Block
New Delhi - 110001

Respected Sir,

Sub: Alternative workable RCM - Phased implementation

The levy of taxes on reverse charge basis in respect of inward supplies from unregistered persons was deferred (kept in abeyance) as suggested by ICAI in July 2017 for a brief period with suitable extensions from time to time. Currently, these provisions are kept in abeyance till 30th September 2018 whereas we believe that it can be kept in abeyance till March 2019 and made applicable from 1st April 2019 by way of issue of a notification in the month of August 2018. This would provide enough time for Officers, Assesseees and consultants to be able to understand the complex compliance issues that may arise. This would also provide enough time for the GSTN related issues to be tested and made error free.

The provisions for levy of taxes under the reverse charge mechanism applicable to a registered person, effecting an inward supply from an unregistered person, can be implemented in a phased manner as under:

1. All outward suppliers who are below the threshold limit of Rs. 20 lakhs of aggregate turnover (of all goods and services) to provide a simple one page online or physical form with Aadhaar (or PAN or any other proof of reference check). This one page form (could be online) needs to contain brief particulars of the nature of business and a declaration stating that such person would apply for registration as and when the provisions of Section 22 (liability to register) become applicable during any of the financial years. All such persons would be allotted a Declaration Number (for brevity "D No. or DN", if online automatically).



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2. Such unregistered persons would quote this GST - D No. in all the invoices issued by them.
3. These unregistered persons would have to upload their month-wise turnovers before 31st July of the subsequent year (co-terminus with the due date for filing of the income tax returns).
4. Taxes payable under reverse charge can be exempted in respect of supplies made by those suppliers who provide the GST- D No. [This number must be verifiable through Aadhaar (or PAN or any other proof of reference check) online by the Recipient].
5. Inward supplies (effected from unregistered persons) of taxable goods or services or both by a specified class of registered persons would be liable to RCM under section 9(4) of CGST Act, 2017 at a flat rate of 12-18% with availability of full input tax credit. Specified class of registered persons may be as follows:
 - a. Registered persons whose outward supply is works contract covered by 2(119);
 - b. Registered persons whose outward supply is liable to Compensation Cess;
 - c. Registered persons availing composition scheme under section 10;
 - d. Registered persons whose outward supply is eligible to lower rate of GST on the condition of non-availment of input tax credit;
 - e. Registered persons (Principal) availing facility of section 19 read with 143 of CGST Act (job workers);
 - f. Registered persons whose outward supply is listed in schedule I; and
 - g. Persons liable to compulsory registration under section 24 and all its distinct persons

In addition to the above the Council / Government may consider amending the law and enhance the knowledge of stakeholders to provide for the following from 1st April 2019. This would prevent leakage of revenue while making the law simple and transparent by allowing the trade to self-police itself:

- i. Any registered assessee not filing returns (i.e. overdue for 2 months); not making payment for 2 months be sent an online intimation for providing explanation and given 1 months' time. Auto reminder to be sent after 1 month saying that he is



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given more time to comply and if not done then his customers would be asked to reverse the credit availed.

- ii. Persons who have obtained new registration and undertaking large transactions but have not filed return should be subjected to procedure as in i.) above.
- iii. The GSTN may, by using the name of the owner/s, email id, see how many related concerns exist of the enterprise owner. If numerous or suspicious circumstances exist a list could be sent to the Commissioner for the inspection of such entities.
- iv. The online notice for those having PAN on random basis seeking their audited financials for the year ending 2018 after October 2018 could be done with information from the Income Tax.
- v. Buyers who have a repeated history of claiming credits from sellers who do not pay tax could be send automated mail seeking information and the procedure as suggested in i.) above.
- vi. The concept of clubbing be introduced (similar to that in central excise) for those claiming the threshold or composition scheme and have multiple entities, with amendment in law now and kept in abeyance upto April 1 2020.
- vii. Special audit by qualified professionals with fixed scope of verification with adequate remuneration in case of suspicion could be a possible additional check.
- viii. Continued education of officers with an examination of understanding at the end of course.
- ix. Education of assesseees with assistance of faculties drawn from CBIT and professionals on regular basis at their locations on areas of common error. Many mistakes are not intentional and if law is clearly explained, majority of assesseees would like to comply.
- x. A simplified reconciliation and audit with no interpretation for the past year and 2018-19 be announced by end of July 2018. A more comprehensive audit be notified by March 2019 for 2019-20 year.



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We shall be glad to provide any further input as may be required and your office in case of any information may reach us at idtca@icai.in or 0120-3045954.

Thanking you,

Yours faithfully,

(CA. Naveen N. D. Gupta)

Copy to:

1. **Dr. Has Mukh Adhia**, Finance Secretary(R), Department of Revenue, Ministry of Finance, Government of India, North Block New Delhi - 110001
2. **Mr. S. Ramesh**, Chairman, CBIT, Department of Revenue, Government of India, North Block, New Delhi - 110001
3. **Shri Prakash Kumar**, Chief Executive Officer, Goods & Services Tax Network, World mark 1, 4th Floor, Tower-B, Aero City, East wing, New Delhi - 110037
4. **CA. Upender Gupta**, Commissioner, GST, Department of Revenue, Government of India, North Block, New Delhi - 110001
5. **Shri Shashank Priya**, Commissioner/Joint Secretary, Office of the Goods & Services Tax Council, Tower-II, 5th Floor, Jeevan Bharti Building, New Delhi - 110001